

## Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Yates Township	County Lake
Fiscal Year End 3-31-06	Opinion Date September 26, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

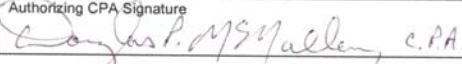
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☐ ☒ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Douglas P. McMullen, C.P.A.	Zip 49601
		License Number 1101007898	

**YATES TOWNSHIP, LAKE COUNTY**

**IDLEWILD, MICHIGAN**

**MARCH 31, 2006**

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MARCH 31, 2006

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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MARCH 31, 2006

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 26, 2006

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated September 26, 2006, on our consideration of Yates Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yates Township, Lake County, Idlewild Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Yates Township, a general law township is located in Lake County. The Management's Discussion and Analysis is intended to be the Yates Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

**Government-Wide**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,458,927. Of this amount, \$1,052,521 may be used to meet the township's ongoing obligations to citizens and creditors.

**Fund Level Financial Statements**

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$658,210.

**Long-Term Debt**

- ◆ The Township's total debt decreased by \$21,117 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. Business-type activities of the Township include sewer utility services.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Yates Township's own programs.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,458,927 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Yates Township**  
**Net Assets as of March 31, 2006**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current and Other Assets	\$ 680,540	\$ 44,961	\$ 725,501
Non Current Assets			
Prepaid Sewage Treatment	\$ 0	\$ 364,852	\$ 364,852
Capital Assets	396,540	1,772,442	2,168,982
Less: Accumulated Depreciation	(108,287)	(141,365)	(249,652)
Total Non Current Assets	\$ 288,253	\$ 1,995,929	\$ 2,284,182
Total Assets	\$ 968,793	\$ 2,040,890	\$ 3,009,683
<b>Liabilities</b>			
Current Liabilities	\$ 34,338	\$ 6,364	\$ 40,702
Long-Term Liabilities	141,054	369,000	510,054
Total Liabilities	\$ 175,392	\$ 375,364	\$ 550,756
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 135,191	\$ 1,255,713	\$ 1,390,904
Restricted	0	15,502	15,502
Unrestricted	658,210	394,311	1,052,521
Total Net Assets	\$ 793,401	\$ 1,665,526	\$ 2,458,927
<b>Total Liabilities and Net Assets</b>	\$ 968,793	\$ 2,040,890	\$ 3,009,683

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Yates Township**  
**Change in Net Assets**  
**For the Fiscal Year Ended March 31, 2006**

	Governmental Activities	Business Type Activities	Total
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 1,481	\$ 35,876	\$ 37,357
Operating Grants and Contributions	9,150	0	9,150
Capital Grants and Contributions	65,000	0	65,000
<b>General Revenues</b>			
Property Taxes	396,655	0	396,655
Licenses and Permits	1,315	0	1,315
State Grants	66,434	0	66,434
Investment Earnings	10,891	582	11,473
Other	49,865	0	49,865
<b>Total Revenues</b>	<b>\$ 600,791</b>	<b>\$ 36,458</b>	<b>\$ 637,249</b>
<b><u>Expenses</u></b>			
Legislative	\$ 46,211	\$ 0	\$ 46,211
General Government, Administrative	92,794	0	92,794
Public Safety	146,843	0	146,843
Public Works	86,897	74,685	161,582
Community and Economic Development	220	0	220
Recreational and Cultural	16,638	0	16,638
Other Functions	40,928	0	40,928
<b>Total Expenses</b>	<b>\$ 430,531</b>	<b>\$ 74,685</b>	<b>\$ 505,216</b>
Changes in Net Assets	\$ 170,260	\$ (38,227)	\$ 132,033
NET ASSETS - Beginning of Year	623,141	1,703,753	2,326,894
NET ASSETS - End of Year	<u>\$ 793,401</u>	<u>\$ 1,665,526</u>	<u>\$ 2,458,927</u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$170,260 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The most significant portion of the revenue for all governmental activities of Yates Township comes from property taxes and special assessments. The Township levied 6.9797 mills for operating purposes. In addition, the Township levied a per parcel special assessment of \$39.50 to supplement general fund operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by Public Safety expenses that total 34.1% of total expenses. The Township spent \$146,843 in fiscal year 2006 on Public Safety expenses. General Government represented the next largest expense at \$92,794, or 21.6% of total expenses. Depreciation expense added another \$30,746.

### **Business-Type Activities**

These activities accounted for a decrease of \$(38,227) in the Township's Net Assets.

The Business-type activities of the Township include the Sewer Fund, which provides sewer utility services to Township residents as well as commercial customers.

### **Financial Analysis of the Government's Funds**

**Governmental Funds** The focus of Yates Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Yates Township's governmental funds reported combined ending fund balances of \$658,210.

**General Fund** – The General Fund increased its fund balance by \$90,331 which brings the fund balance to \$626,641. The General Fund's fund balance is unreserved. Property taxes and special assessments amounted to \$396,655. State shared revenues were collected in the amount of \$66,434.

### **Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2006 amounted to \$1,919,330 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Yates Township**  
**Capital Assets as of March 31, 2006**

	Governmental Activities	Business-Type Activities	Totals
System Infrastructure	\$ 0	\$ 1,747,442	\$ 1,747,442
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
	<u>\$ 396,540</u>	<u>\$ 1,772,442</u>	<u>\$ 2,168,982</u>
Less Accumulated Depreciation	(108,287)	(141,365)	(249,652)
<b>Net Capital Assets</b>	<u><u>\$ 288,253</u></u>	<u><u>\$ 1,631,077</u></u>	<u><u>\$ 1,919,330</u></u>

*Major capital asset events during the current fiscal year included the following:*

- Acquisition of Jaws of Life
- Purchase of fire equipment (FEMA Grant)

**Long-Term Debt.** Yates Township has sewer bonds payable and fire contracts payable for equipment and a fire truck.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2006-07 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Yates Township at P.O. Box 115, 413 E. Baldwin Rd, Idlewild, Michigan 49642.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	BUSINESS		
	GOVERNMENTAL	TYPE	
	ACTIVITIES	ACTIVITIES	TOTALS
<hr/>			
<u>ASSETS</u>			
 <u>CURRENT ASSETS</u>			
Cash	\$ 541,350	\$ 13,891	\$ 555,241
Accounts Receivable	0	15,568	15,568
Taxes Receivable	127,313	0	127,313
Due from Other Funds	3,758	0	3,758
Due from Other Governments	8,119	0	8,119
<hr/>			
Total Current Assets	\$ 680,540	\$ 29,459	\$ 709,999
<hr/>			
<u>RESTRICTED ASSETS</u>			
Cash			
Bond Reserve Account	\$ 0	\$ 15,412	\$ 15,412
Bond and Interest Redemption Fund	0	90	90
<hr/>			
Total Restricted Assets	\$ 0	\$ 15,502	\$ 15,502
<hr/>			
<u>NON-CURRENT ASSETS</u>			
Prepaid Sewage Treatment	\$ 0	\$ 364,852	\$ 364,852
<hr/>			
<u>CAPITAL ASSETS</u>			
System Infrastructure	\$ 0	\$ 1,747,442	\$ 1,747,442
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
<hr/>			
	\$ 396,540	\$ 1,772,442	\$ 2,168,982
Less Accumulated Depreciation	(108,287)	(141,365)	(249,652)
<hr/>			
Net Capital Assets	\$ 288,253	\$ 1,631,077	\$ 1,919,330
<hr/>			
TOTAL ASSETS	\$ 968,793	\$ 2,040,890	\$ 3,009,683
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	GOVERNMENTAL	BUSINESS	
	ACTIVITIES	TYPE	TOTALS
		ACTIVITIES	
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 22,330	\$ 0	\$ 22,330
Accrued Interest Payable	0	1,364	1,364
Notes Payable - Current Portion	12,008	0	12,008
Revenue Bonds Payable - Current Portion	0	5,000	5,000
Total Current Liabilities	\$ 34,338	\$ 6,364	\$ 40,702
<u>LONG-TERM LIABILITIES</u>			
Fire Equipment Contract Payable	\$ 11,272	\$ 0	\$ 11,272
Fire Truck Contract Payable	129,782	0	129,782
Revenue Bonds Payable - Net of Current Portion	0	369,000	369,000
Total Long-Term Liabilities	\$ 141,054	\$ 369,000	\$ 510,054
Total Liabilities	\$ 175,392	\$ 375,364	\$ 550,756
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	\$ 135,191	\$ 1,255,713	\$ 1,390,904
Restricted for Debt Service	0	15,502	15,502
Unrestricted	658,210	394,311	1,052,521
TOTAL NET ASSETS	\$ 793,401	\$ 1,665,526	\$ 2,458,927
TOTAL LIABILITIES AND NET ASSETS	\$ 968,793	\$ 2,040,890	\$ 3,009,683

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL BUSINESS-TYPE		TOTALS	
					ACTIVITIES	ACTIVITIES		
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
Legislative	\$ 46,211	\$ 0	\$ 0	\$ 0	\$ (46,211)	\$ 0	\$ (46,211)	
General Government	92,794	1,481	0	0	(91,313)	0	(91,313)	
Public Safety	146,843	0	9,150	65,000	(72,693)	0	(72,693)	
Public Works	86,897	0	0	0	(86,897)	0	(86,897)	
Community and Economic Development	220	0	0	0	(220)	0	(220)	
Recreation and Cultural	16,638	0	0	0	(16,638)	0	(16,638)	
Other Functions	40,928	0	0	0	(40,928)	0	(40,928)	
Total Governmental Activities	\$ 430,531	\$ 1,481	\$ 9,150	\$ 65,000	\$ (354,900)	\$ 0	\$ (354,900)	
<u>BUSINESS TYPE ACTIVITIES</u>								
Sewer System	\$ 74,685	\$ 35,876	\$ 0	\$ 0	\$ 0	\$ (38,809)	\$ (38,809)	
TOTAL	\$ 505,216	\$ 37,357	\$ 9,150	\$ 65,000	\$ (354,900)	\$ (38,809)	\$ (393,709)	
<u>GENERAL REVENUES</u>								
Property Tax					\$ 396,655	\$ 0	\$ 396,655	
Licenses and Permits					1,315	0	1,315	
State Grants					66,434	0	66,434	
Investment Earnings					10,309	582	10,891	
Other					50,447	0	50,447	
Total General Revenues					\$ 525,160	\$ 582	\$ 525,742	
Change in Net Assets					\$ 170,260	\$ (38,227)	\$ 132,033	
<u>NET ASSETS</u> - Beginning of Year					623,141	1,703,753	2,326,894	
<u>NET ASSETS</u> - End of Year					\$ 793,401	\$ 1,665,526	\$ 2,458,927	

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2006

	GENERAL FUND	LAND TRUST FUND	FIRE HALL CONSTRUCTION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 512,086	\$ 19,189	\$ 10,075	\$ 541,350
Taxes Receivable	127,313	0	0	127,313
Due from Other Funds	3,758	2,305	0	6,063
Due from Other Governments	8,119	0	0	8,119
Total Assets	<u>\$ 651,276</u>	<u>\$ 21,494</u>	<u>\$ 10,075</u>	<u>\$ 682,845</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 22,330	\$ 0	\$ 0	\$ 22,330
Due to Other Funds	2,305	0	0	2,305
Total Liabilities	<u>\$ 24,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,635</u>
 <u>FUND BALANCE</u>				
Unreserved				
Undesignated	626,641	21,494	10,075	658,210
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 651,276</u>	<u>\$ 21,494</u>	<u>\$ 10,075</u>	<u>\$ 682,845</u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	658,210
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Vehicles	\$	232,500	
Equipment		164,040	
Accumulated Depreciation		<u>(108,287)</u>	288,253

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds

Fire Equipment Contract Payable		(15,684)	
Fire Truck Contract Payable		<u>(137,378)</u>	(153,062)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>793,401</u></u>
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	LAND TRUST FUND	FIRE HALL CONSTRUCTION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 396,655	\$ 0	\$ 0	\$ 396,655
Licenses and Permits	1,315	0	0	1,315
Federal Grants	65,000	0	0	65,000
State Grants	66,434	0	0	66,434
Contributions from Local Units	9,150	0	0	9,150
Charges for Services	1,481	0	0	1,481
Interest and Rents	14,412	112	75	14,599
Other Revenues	32,586	3,571	10,000	46,157
Total Revenues	\$ 587,033	\$ 3,683	\$ 10,075	\$ 600,791
<u>EXPENDITURES</u>				
Legislative	\$ 56,962	\$ 0	\$ 0	\$ 56,962
General Government	92,794	0	0	92,794
Public Safety	202,263	0	0	202,263
Public Works	86,897	0	0	86,897
Community and Economic Development	220	0	0	220
Recreation and Cultural	16,638	0	0	16,638
Other Functions	40,928	0	0	40,928
Total Expenditures	\$ 496,702	\$ 0	\$ 0	\$ 496,702
Net Change in Fund Balance	\$ 90,331	\$ 3,683	\$ 10,075	\$ 104,089
<u>FUND BALANCE</u> - Beginning of Year	536,310	17,811	0	554,121
<u>FUND BALANCE</u> - End of Year	\$ 626,641	\$ 21,494	\$ 10,075	\$ 658,210

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net Change in Fund Balance - Total Governmental Funds	\$ 104,089
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(30,746)
Capital Outlay	80,800
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	
Notes Payable	<u>16,117</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 170,260</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 13,891
Accounts Receivable	15,568
	<hr/>
Total Current Assets	\$ 29,459
	<hr/>
<u>RESTRICTED ASSETS</u>	
Cash	
Bond Reserve Account	\$ 15,412
Bond and Interest Redemption Fund	90
	<hr/>
Total Restricted Assets	\$ 15,502
	<hr/>
<u>NON-CURRENT ASSETS</u>	
Prepaid Sewage Treatment	\$ 364,852
	<hr/>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	\$ 20,000
Easements	5,000
Sewer System	1,747,442
Less Accumulated Depreciation	(141,365)
	<hr/>
Net Capital Assets	\$ 1,631,077
	<hr/>
Total Non-Current Assets	\$ 1,995,929
	<hr/>
TOTAL ASSETS	\$ 2,040,890
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accrued Interest Payable	\$ 1,364
Revenue Bonds Payable - Current Portion	<u>5,000</u>
Total Current Liabilities	\$ 6,364
<u>LONG-TERM LIABILITIES</u>	
Revenue Bonds Payable - Net of Current Portion	<u>369,000</u>
Total Liabilities	<u>\$ 375,364</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,255,713
Restricted	15,502
Unrestricted	<u>394,311</u>
Total Net Assets	<u>\$ 1,665,526</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,040,890</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$        35,876</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Sewage Treatment	\$        10,402
Utilities	4,419
Telephone	1,092
Repairs	4,532
Miscellaneous	226
Depreciation	<u>         37,428</u>
Total Operating Expenses	<u>\$        58,099</u>
Operating Income (Loss)	<u>\$      (22,223)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$           582
Interest Expense	<u>         (16,586)</u>
Total NonOperating Revenues (Expenses)	<u>\$      (16,004)</u>
Change in Net Assets	\$      (38,227)
<u>NET ASSETS</u> - Beginning of Year	<u>         1,703,753</u>
<u>NET ASSETS</u> - End of Year	<u><u>         1,665,526</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 29,186
Cash Payments to Suppliers for Goods and Services	<u>(10,287)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,899</u>
Cash Flows from Capital and Related Financing Activities	
Loss on Disposition of Capital Asset	\$ 7,465
Principal Paid on Bonds	(5,000)
Interest Paid	<u>(16,586)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (14,121)</u>
Cash Flows from Investing Activities	
Interest Received	<u>\$ 582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,360
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>24,033</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 29,393</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (22,223)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 37,428
Prepaid Sewage Treatment	10,402
(Increase) Decrease in Current Assets	
Accounts Receivable	(6,690)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	<u>(18)</u>
Total Adjustments	<u>\$ 41,122</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 18,899</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2006

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$       3,758
	<u>                    </u>
<u>LIABILITIES</u>	
Due to Other Funds	\$       3,758
	<u>                    </u>
<u>NET ASSETS</u>	<u>                    0</u>
	<u>                    </u>
TOTAL LIABILITIES AND NET ASSETS	\$       3,758
	<u>                    </u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Yates Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Yates Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Land Trust Fund* is used to purchase tax sale property and sell it to residents at a later date.

The *Fire Hall Construction Fund* is used to account for the building of the new fire department facilities.

Additionally Yates Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Investment Policy adopted by the Township allows the Treasurer to invest in certificates of deposit, savings deposit receipts and savings accounts.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Yates Township totaled \$24,516,680, on which ad valorem taxes levied consisted of 6.9797 mills for Yates Township operating purposes. The levy raised approximately \$171,120 for operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	25
Equipment	10
System Infrastructure	50

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund	\$ 403,031	\$	496,702

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Lake Osceola State Bank, Baldwin, Michigan. At year-end, the carrying amount of the Township's deposits was \$558,999 and the bank balance was \$680,564. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$580,564 was uninsured and uncollateralized.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, of the government's bank balance of \$680,564, \$580,564 was exposed to custodial credit risk because it was uninsured and uncollateralized.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual funds are as follows:

	General	Sewer	Total
Receivables			
Accounts	\$ 0	\$ 15,568	\$ 15,568
Taxes	127,313	0	127,313
Intergovernmental	8,119	0	8,119
Total	\$ 135,432	\$ 15,568	\$ 151,000

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Vehicles	\$ 232,500	\$ 0	\$ 0	\$ 232,500
Equipment	83,240	80,800	0	164,040
Total capital assets, being depreciated	\$ 315,740	\$ 80,800	\$ 0	\$ 396,540
Less accumulated depreciation for:				
Vehicles	\$ 69,750	\$ 21,500	\$ 0	\$ 91,250
Equipment	7,791	9,246	0	17,037
Total accumulated depreciation	\$ 77,541	\$ 30,746	\$ 0	\$ 108,287
Total capital assets, being depreciated net	\$ 238,199	\$ 50,054	\$ 0	\$ 288,253

Business-Type Activities

Capital assets, being depreciated				
Easements	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Equipment	20,000	0	0	20,000
System Infrastructure	2,182,172	0	434,730	1,747,442
Total capital assets, being depreciated	\$ 2,207,172	\$ 0	\$ 434,730	\$ 1,772,442
Less accumulated depreciation for:				
Equipment	\$ 6,833	\$ 2,000	\$ 0	\$ 8,833
System Infrastructure	149,115	35,428	52,011	132,532
Total accumulated depreciation	155,948	37,428	52,011	141,365
Business-type activities capital assets, net	\$ 2,051,224	\$ (37,428)	\$ 382,719	\$ 1,631,077

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General Government	<u>\$ 30,746</u>
Business-Type Activities	
Sewer	<u>\$ 37,428</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund		
Land Trust Fund	\$ 0	\$ 2,305
Current Tax	3,758	0
Land Trust Fund		
General Fund	2,305	0
Current Tax		
General Fund	0	3,758
Total	<u>\$ 6,063</u>	<u>\$ 6,063</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2006:

	<u>BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
Long-Term Debt Payable at April 1, 2005	\$ 379,000	\$ 169,179	\$ 548,179
Long-Term Debt Incurred	0	0	0
Long-Term Debt Retired	(5,000)	(16,117)	(21,117)
LONG-TERM DEBT PAYABLE AT MARCH 31, 2006	<u>\$ 374,000</u>	<u>\$ 153,062</u>	<u>\$ 527,062</u>

Long-term debts at March 31, 2006 are comprised of the following individual amounts:

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Bonds Payable

The long-term debt at March 31, 2006 consists of a bond payable for Yates Township Sanitary Sewage Disposal System Bonds - Series 1999 - due in annual installments of \$5,000 to \$21,000 through March 1, 2039, interest at 4.375%. \$ 374,000

Fire Equipment Note

The long-term debt at March 31, 2006 consists of a note payable to Lake-Osceola State Bank for the purchase of fire protection equipment. The note is being repaid in annual installments of \$5,000 to \$6,852 through June 29, 2008 including interest at 3.75% 15,684

Fire Truck Note

The long-term debt at March 31, 2006, consists of a note payable to Lake Osceola State Bank for the purchase of a fire truck. The note is being repaid in annual installments of \$14,808 through September 8, 2018 including interest at 5.25% 137,378

\$ 527,062

The annual requirements to amortize the long-term debt outstanding as of March 31, 2006, including interest payments of \$396,847 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>BONDS</u> <u>PAYABLE</u>	<u>FIRE</u> <u>EQUIPMENT</u> <u>NOTE</u>	<u>FIRE</u> <u>TRUCK</u> <u>NOTE</u>	<u>TOTAL</u>
2007	\$ 21,362	\$ 5,000	\$ 14,808	\$ 41,170
2008	21,144	5,000	14,808	40,952
2009	21,926	6,852	14,808	43,586
2010	21,662	0	14,808	36,470
2011	21,400	0	14,808	36,208
2012-2016	108,626	0	74,040	182,666
2017-2021	108,180	0	44,424	152,604
2022-2026	107,682	0	0	107,682
2027-2031	108,729	0	0	108,729
2032-2036	108,502	0	0	108,502
2037-2039	65,340	0	0	65,340
	<u>\$ 714,553</u>	<u>\$ 16,852</u>	<u>\$ 192,504</u>	<u>\$923,909</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Taxes**

The Township levied 6.9797 mills in tax on state taxable value of \$171,120 on the 2005 tax roll. In addition the Township levies a per parcel special assessment to supplement general fund operations, for Police Fire, Street Lights, Garage and Fire Truck. This amounted to \$177,513 for the fiscal year.

**C. Interest Income and Expense**

For the year ended March 31, 2006 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 10,122	\$ 8,283
Land Trust Fund	112	0
Fire Hall Construction Fund	75	0
Sewer Fund	582	16,586
TOTAL	<u>\$ 10,891</u>	<u>\$ 24,869</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUND

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			VARIANCE
	ORIGINAL	FINAL		WITH
	BUDGET	BUDGET	ACTUAL	FINAL
<u>REVENUES</u>				
Taxes	\$ 335,372	\$ 335,372	\$ 396,655	\$ 61,283
Licenses and Permits	2,000	2,000	1,315	(685)
Federal Grants	0	0	65,000	65,000
State Grants	52,622	52,622	66,434	13,812
Contributions from Local Units	14,845	14,845	9,150	(5,695)
Charges for Services	0	0	1,481	1,481
Interest and Rents	3,600	3,600	14,412	10,812
Other Revenues	0	0	32,586	32,586
Total Revenues	\$ 408,439	\$ 408,439	\$ 587,033	\$ 178,594
<u>EXPENDITURES</u>				
Legislative	\$ 63,636	\$ 63,636	\$ 56,962	\$ 6,674
General Government	97,813	97,813	92,794	5,019
Public Safety	103,863	103,863	202,263	(98,400)
Public Works	81,801	81,801	86,897	(5,096)
Community and Economic Development	4,495	4,495	220	4,275
Recreation and Cultural	8,970	8,970	16,638	(7,668)
Other Functions	42,453	42,453	40,928	1,525
Total Expenditures	\$ 403,031	\$ 403,031	\$ 496,702	\$ (93,671)
Net Change in Fund Balance	\$ 5,408	\$ 5,408	\$ 90,331	\$ 84,923
<u>FUND BALANCE</u> - Beginning of Year	536,310	536,310	536,310	0
<u>FUND BALANCE</u> - End of Year	\$ 541,718	\$ 541,718	\$ 626,641	\$ 84,923

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	\$ 512,086
Taxes Receivable	127,313
Due from Other Funds	3,758
Due from Other Governments	<u>8,119</u>
 TOTAL ASSETS	 <u><u>\$ 651,276</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 22,330
Due to Land Trust Fund	<u>2,305</u>

Total Liabilities	\$ 24,635
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FUND BALANCE

Unreserved	<u>626,641</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 651,276</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Taxes	\$ 396,655
Licenses and Permits	1,315
Federal Grants	65,000
State Grants	66,434
Contribution from Local Units	9,150
Charges for Services	1,481
Interest and Rents	14,412
Other Revenues	<u>32,586</u>
 Total Revenues	 <u>\$ 587,033</u>

EXPENDITURES

Legislative	
Township Board	\$ 56,962
General Government	
Supervisor	12,188
Assessor	34,078
Clerk	11,091
Board of Review	360
Treasurer	16,022
Computer Administration	853
Building and Grounds	17,996
Cemetery	206
Public Safety	202,263
Public Works	86,897
Community and Economic Development	220
Recreation and Cultural	16,638
Other Functions	<u>40,928</u>
 Total Expenditures	 <u>\$ 496,702</u>

Excess (Deficiency) of Revenues Over Expenditures	\$ 90,331
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<u>FUND BALANCE</u> - Beginning of Year	<u>536,310</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 626,641</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	
Commercial Account	\$ 19,189
Due from Other Funds	
General Fund	<u>2,305</u>
 TOTAL ASSETS	 <u><u>\$ 21,494</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Balance	
Unreserved	<u>21,494</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 21,494</u></u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Land Sales	\$ 3,571
Interest Earnings	<u>112</u>
Total Revenues	3,683

EXPENDITURES

Excess (Deficiency) of Revenues Over Expenditures	\$ 3,683
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<u>FUND BALANCE</u> - Beginning of Year	<u>17,811</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 21,494</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

FIRE HALL CONSTRUCTION FUND  
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	\$ 10,075
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Balance	
Unreserved	10,075

TOTAL LIABILITIES AND FUND BALANCE	\$ 10,075
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

FIRE HALL CONSTRUCTION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Foundation Grant	\$ 10,000
Interest Earnings	<u>75</u>

Total Revenues	\$ 10,075
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EXPENDITURES

	<u>0</u>
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Excess (Deficiency) of Revenues Over Expenditures	\$ 10,075
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<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 10,075</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF NET ASSETS

MARCH 31, 2006

ASSETS

Current Assets

Cash	\$ 13,891
Accounts Receivable	15,568
Total Current Assets	<u>\$ 29,459</u>

Restricted Assets

Cash	
Bond Reserve Account	\$ 15,412
Bond and Interest Redemption Fund	90
Total Restricted Assets	<u>\$ 15,502</u>

Non-Current Assets

Prepaid Sewage Treatment	<u>\$ 364,852</u>
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Capital Assets

Machinery and Equipment	\$ 20,000
Easements	5,000
Sewer System	1,747,442
Total Capital Assets	<u>\$ 1,772,442</u>
Less Accumulated Depreciation	(141,365)
Net Capital Assets	<u>\$ 1,631,077</u>

Total Non-Current Assets	<u>\$ 1,995,929</u>
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TOTAL ASSETS	<u><u>\$ 2,040,890</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF NET ASSETS

MARCH 31, 2006

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,364
Revenue Bonds Payable - Current Portion	<u>5,000</u>
Total Current Liabilities	\$ 6,364

LONG-TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	<u>369,000</u>
Total Liabilities	<u>\$ 375,364</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,255,713
Restricted	15,502
Unrestricted	<u>394,311</u>
Total Net Assets	<u>\$ 1,665,526</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,040,890</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2006

OPERATING REVENUES

Charges for Services	\$	35,876
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OPERATING EXPENSES

Other Services and Charges		
Sewage Treatment	\$	10,402
Utilities		4,419
Telephone		1,092
Repairs		4,532
Miscellaneous		226
Depreciation		37,428
		<u>58,099</u>

Operating Income (Loss)	\$	<u>(22,223)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income	\$	582
Interest Expense		<u>(16,586)</u>

Total Nonoperating Revenues (Expenses)	\$	<u>(16,004)</u>
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Change in Net Assets	\$	(38,227)
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<u>NET ASSETS</u> - Beginning of Year		<u>1,703,753</u>
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<u>NET ASSETS</u> - End of Year	\$	<u><u>1,665,526</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 29,186
Cash Payments to Suppliers for Goods and Services	<u>(10,287)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,899</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds on Disposition of Capital Asset	\$ 7,465
Principal Paid on Bonds	(5,000)
Interest Paid	<u>(16,586)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (14,121)</u>
Cash Flows from Investing Activities	
Interest Received	<u>\$ 582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,360
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>24,033</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 29,393</u></u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (22,223)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 37,428
Prepaid Sewage Treatment	10,402
(Increase) Decrease in Current Assets	
Accounts Receivable	(6,690)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	<u>(18)</u>
Total Adjustments	<u>\$ 41,122</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 18,899</u></u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2006

	BALANCE			BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006	
<u>ASSETS</u>					
Cash in Bank	\$ 60,540	\$ 1,002,159	\$ 1,058,941	\$ 3,758	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 21,677	\$ 410,866	\$ 428,785	\$ 3,758	
Due to Other Governments	38,863	591,293	630,156	0	
TOTAL LIABILITIES	\$ 60,540	\$ 1,002,159	\$ 1,058,941	\$ 3,758	

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	275,863	
County - State Education Tax		147,087	
County - Renaissance Zone		389	
Township			
Operating		171,120	
Special Assessment		177,513	
Lake Assessment		7,851	
School			
Baldwin Community Schools		386,564	
Intermediate Schools			
Mason/Lake Intermediate		<u>88,153</u>	\$ 1,254,540

TAXES COLLECTED

County	\$	195,139	
County - State Education Tax		112,512	
County - Renaissance Zone		343	
Township			
Operating		118,836	
Special Assessment		102,418	
Lake Assessment		6,319	
School			
Baldwin Community Schools		260,555	
Intermediate School			
Mason/Lake Intermediate		<u>61,220</u>	<u>857,342</u>

TAXES RETURNED DELINQUENT

County	\$	80,724	
County - State Education Tax		34,575	
County - Renaissance Zone		46	
Township			
Operating		52,284	
Special Assessment		75,095	
Lake Assessment		1,532	
School			
Baldwin Community Schools		126,009	
Intermediate School			
Mason/Lake Intermediate		<u>26,933</u>	<u>\$ 397,198</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2006

TITLE OF ISSUE

United States of America, State of Michigan, County of Lake, Township of Yates, Sanitary Sewage Disposal System Revenue Bonds - Series 1999

PURPOSE

The proceeds of the series 1999 bonds were used in whole to accompany federal and local grant proceeds to finance the construction of a sanitary sewage disposal system in the Township of Yates.

DATE OF ISSUE

December 22, 1999

INTEREST RATE

4.375%

AMOUNT OF ISSUE

\$ 396,000

AMOUNT REDEEMED

Prior to Current Year	\$ 17,000	
During Current Year	5,000	22,000

BALANCE OUTSTANDING - March 31, 2006

\$ 374,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2006	4.375%		8,181	8,181
March 1, 2007	4.375%	5,000	8,181	13,181
September 1, 2007	4.375%		8,072	8,072
March 1, 2008	4.375%	5,000	8,072	13,072
September 1, 2008	4.375%		7,963	7,963
March 1, 2009	4.375%	6,000	7,963	13,963
September 1, 2009	4.375%		7,831	7,831

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2006

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2010	4.375%	6,000	7,831	13,831
September 1, 2010	4.375%		7,700	7,700
March 1, 2011	4.375%	6,000	7,700	13,700
September 1, 2011	4.375%		7,569	7,569
March 1, 2012	4.375%	7,000	7,569	14,569
September 1, 2012	4.375%		7,416	7,416
March 1, 2013	4.375%	7,000	7,416	14,416
September 1, 2013	4.375%		7,263	7,263
March 1, 2014	4.375%	7,000	7,263	14,263
September 1, 2014	4.375%		7,109	7,109
March 1, 2015	4.375%	7,000	7,109	14,109
September 1, 2015	4.375%		6,956	6,956
March 1, 2016	4.375%	8,000	6,956	14,956
September 1, 2016	4.375%		6,781	6,781
March 1, 2017	4.375%	8,000	6,781	14,781
September 1, 2017	4.375%		6,606	6,606
March 1, 2018	4.375%	8,000	6,606	14,606
September 1, 2018	4.375%		6,431	6,431
March 1, 2019	4.375%	9,000	6,431	15,431
September 1, 2019	4.375%		6,234	6,234
March 1, 2020	4.375%	9,000	6,234	15,234
September 1, 2020	4.375%		6,038	6,038
March 1, 2021	4.375%	10,000	6,038	16,038
September 1, 2021	4.375%		5,819	5,819
March 1, 2022	4.375%	10,000	5,819	15,819
September 1, 2022	4.375%		5,600	5,600
March 1, 2023	4.375%	10,000	5,600	15,600
September 1, 2023	4.375%		5,381	5,381
March 1, 2024	4.375%	11,000	5,381	16,381
September 1, 2024	4.375%		5,141	5,141

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2006

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2025	4.375%	11,000	5,141	16,141
September 1, 2025	4.375%		4,900	4,900
March 1, 2026	4.375%	12,000	4,900	16,900
September 1, 2026	4.375%		4,638	4,638
March 1, 2027	4.375%	12,000	4,638	16,638
September 1, 2027	4.375%		4,375	4,375
March 1, 2028	4.375%	13,000	4,375	17,375
September 1, 2028	4.375%		4,091	4,091
March 1, 2029	4.375%	14,000	4,091	18,091
September 1, 2029	4.375%		3,784	3,784
March 1, 2030	4.375%	14,000	3,784	17,784
September 1, 2030	4.375%		3,475	3,475
March 1, 2031	4.375%	15,000	3,478	18,478
September 1, 2031	4.375%		3,150	3,150
March 1, 2032	4.375%	15,000	3,150	18,150
September 1, 2032	4.375%		2,822	2,822
March 1, 2033	4.375%	16,000	2,822	18,822
September 1, 2033	4.375%		2,472	2,472
March 1, 2034	4.375%	17,000	2,472	19,472
September 1, 2034	4.375%		2,100	2,100
March 1, 2035	4.375%	18,000	2,100	20,100
September 1, 2035	4.375%		1,707	1,707
March 1, 2036	4.375%	18,000	1,707	19,707
September 1, 2036	4.375%		1,313	1,313
March 1, 2037	4.375%	19,000	1,313	20,313
September 1, 2037	4.375%		897	897
March 1, 2038	4.375%	20,000	897	20,897
September 1, 2038	4.375%		460	460
March 1, 2039	4.375%	21,000	460	21,460
		<u>\$ 374,000</u>	<u>\$ 324,759</u>	<u>\$ 692,759</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2006

REDEMPTION PRIOR TO MATURITY

The bonds shall be subject to prepayment prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$1,000, on any date, at par plus accrued interest to the date of such prepayment.

Notice of the redemption for any principal installment of this Bond for repayment at the option of the Township shall be given by first class mail, not less than 30 days prior to the date fixed for prepayment, to the registered owner of this Bond at the address shown on the bond register kept by the Registrar; provided, however, that failure to give such notice by mailing or any defect therein shall not effect the validity of any proceedings for the redemption of Bonds.

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 26, 2006

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Yates Township, Lake County  
Idlewild, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yates Township, as of and for the year ended June 30, 2006, which collectively comprise the Yates Township's basic financial statements and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Yates Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect Yates Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying letter of reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Yates Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that reported to the management of Yates Township in a separate letter dated September 26, 2006.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

September 26, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

During the course of our audit of the basic financial statements of Yates Township for the year ended March 31, 2006, we noted the following:

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Yates Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

Bank Reconciliations

At year end we assisted your staff in reconciling the book balances to the bank for all accounts. This procedure should be completed by the Township on a monthly basis with copies of the reconciliations maintained with the bank statements. We caution the Board that without the reconciliation procedure, the results of operations and safe guarding of assets is impaired. We recommend the township treasurer initiate a timely bank reconciliation procedure to be completed no later than the 10<sup>th</sup> of each month.

Accounting Records

The trust and agency transactions for special assessments and other revenues were not posted to the Townships computerized general ledger. As a result, we had to make adjustments to include those transactions in the General Fund. In the future all transactions should be recorded in the computerized general ledger. We would recommend the Township in lieu of computerizing the trust and agency account, consider depositing general fund revenues directly to the General Fund, thus eliminating the trust and agency account. The only items traditionally deposited to the trust and agency are funds belonging to third parties. In our review of the trust and agency transactions, we found large transfers which were not posted to the accounts. This resulted in misleading balances in some of the accounts. These postings were missed during the time of transition from the prior treasurer to the current treasurer.

### Sewer Fund – Restricted Assets

Restricted funds are required to be set aside to meet Sewer Fund bond ordinance requirements. At March 31, 2006, the Sewer Fund Bond Reserve and Bond and Interest Redemption Accounts did not meet the ordinance requirements. The Township should transfer excess funds from the Sewer Receiving Fund to meet the requirements of the bond ordinance. In addition, the Sewer Construction Fund can be closed out.

### Budgeting

The budget document should include all items required by PA 621, including estimated beginning and ending fund balances for each fund. The budget should be amended during the year before incurring expenditures in excess of appropriations. All amendments to the budget should be clearly recorded in the official township minutes. This year, expenditures exceeded appropriations in the General Fund by \$93,671. Our audit adjustments caused some of the over expenditures. The Township should also adopt budgets for the Land Trust Fund and the Fire Hall Construction Fund.

### Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which reflect property tax administration fee collections and costs, and that the board pass a motion each year to write off the loss.

### Balance in the Tax Collection Fund

The Township made significant progress in paying out all tax collections for the 2005 tax year by year end. The only balance remaining was interest earned, we commend the treasurer, Esther Ward, with this improvement.

### Collection of Personal Property Taxes

The responsibility for collection of personal property taxes is to be carried out by the township treasurer. We recommend a procedure to remind business owners be sent in early February to insure the taxpayer is aware of the potential of seizing of property to produce the payment of personal property.

### Over Due Sewer Charges

The Sewer ordinance calls for the placing of unpaid sewer charges on the property tax roll. This becomes a lien on the property and insures the collection of the charges. We would recommend the Township Board consider this step to keep the sewer fund financially sound.

### Prepaid Sewage Treatment

When the hook-up of township residents to the sewer system was complete, some of the grant money, approximately \$425,000, was paid to the Village of Baldwin to pay for treatment. This “pre-payment” means the Township residents are not paying for treatment on a yearly basis. The balance in this pre-payment account is \$364,852. The yearly cost of treatment is approximately \$11,000. This means the prepaid amount should last up to 30 years before residents would be charged for treatment expenses. This assumes there is no substantial increase in the treatment costs or volume.

### Other Information

As of the date of this report there is an ongoing investigation. This report does not reflect any potential financial impact of the investigation.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990

JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

September 26, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

In planning and performing our audit of the financial statements of Yates Township, Lake County, Idlewild, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

The lack of bank reconciliations by the township treasurer is a material weakness which needs to be corrected to strengthen the internal controls over cash. These should be completed by the 10<sup>th</sup> of each month.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*